

Message Text

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SUBJECT: ECONOMIC DEVELOPMENT IN THE YUKON

REF: A. VANCOUVER 494 B. VANCOUVER 513

1. SUMMARY: THE YUKON TERRITORY IS ON THE THRESHOLD OF MAJOR NEW DEVELOPMENT IN AREAS OTHER THAN THE TRADITIONAL MINING SECTOR AND GAS TRANSMISSION. AMONG THE DEVELOPMENT PROJECTS BEING CONSIDERED ARE MAJOR NEW HIGHWAY IMPROVEMENTS, POSSIBLE EXTENSION OF THE WHITE PASS RAILWAY, A PROPOSED ALUMINUM SMELTER, A PULP MILL, AND AN EXPANDED TOURIST INDUSTRY. THE YUKON TERRITORIAL GOVERNMENT (YTG) IS MAKING AN ATTEMPT TO COORDINATE DEVELOPMENT ACTIVITY THROUGH A YUKON DEVELOPMENT PLAN, BUT THE ANOMALOUS STRUCTURE OF THE YTG MAKES THIS DIFFICULT. REALIZATION OF EVEN A PORTION OF THESE DEVELOPMENTS WOULD MEAN SIGNIFICANT ECONOMIC EXPANSION OVER THE NEXT DECADE IN THE YUKON. END SUMMARY.

2. THIS IS THE THIRD AND LAST REPORT ON THE ECONOMIC AND POLITICAL SITUATION IN THE YUKON TERRITORY, BASED ON A VISIT MAY 17-23 BY UNCLASSIFIED

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THE CONGEN COMMERCIAL OFFICER.

3. HIGHWAYS. TWO MAJOR LINKS IN THE YUKON HIGHWAY SYSTEM ARE NEARING COMPLETION. THE SMALLER, THE CARCROSS-SKAGWAY ROAD, SHOULD BE COMPLETE BY THE END OF SUMMER 1987. DESPITE THE HIGH EXPENSE, IT WILL PROBABLY BE KEPT OPEN YEAR-ROUND. THIS ROAD IS PRIMARILY FOR TOURISTS

NONE OF THE MINING COMPANIES APPEAR TO BE SERIOUSLY PLANNING TO USE THE ROAD INSTEAD OF THE WHITE PASS RAILWAY FOR MINERAL SHIPMENTS. THE LARGER MAJOR LINK PLANNED IS THE DEMPSTER HIGHWAY WHICH IS SCHEDULED FOR COMPLETION BY SUMMER 1979 AND WOULD OPEN UP MAJOR NEW AREAS FOR MINERAL AND GAS EXPLORATION AND WOULD PROVIDE THE FIRST ROAD LINK BETWEEN THE PACIFIC AND ARCTIC OCEANS. THESE TWO ROADS, COMBINED WITH THE U.S.-FINANCED UPGRADING OF THE ALASKA HIGHWAY FROM HAINES TO BEAVER CREEK, WOULD REPRESENT A MAJOR IMPROVEMENT AND EXPANSION OF THE YUKON HIGHWAY SYSTEM. ANOTHER MAJOR EXPANSION OF THE HIGHWAY SYSTEM IS BEING CONTEMPLATED, NAMELY, OPENING UP THE MACMILLAN PASS-HOWARD'S PASS MINERAL AREA. THIS WOULD PROBABLY INVOLVE REBUILDING THE CANOL ROAD FROM ROSS RIVER TO MACMILLAN PASS, AND THEN THE CONSTRUCTION OF A NEW ROAD FROM MACMILLAN PASS TO HOWARD'S PASS. DEVELOPMENT OF THE MINERAL DEPOSITS IN THE REGION CANNOT PROCEED WITHOUT THIS FACILITY.(SEE REFTEL B).

4. RAILWAYS. TWO RAILWAY PROJECTS HAVE BEEN DISCUSSED FOR THE YUKON. THE MORE LIKELY IS THE EXTENSION OF THE WHITE PASS AND YUKON RAILWAY TO THE FARO AREA. THIS WOULD BRING ABOUT LOWER ORE CONCENTRATE SHIPPING COSTS FROM THE ANVIL, MAYO, AND MACMILLAN PASS AREAS BUT, GIVEN THE HIGH COSTS OF CONSTRUCTION AND OPERATION, THIS PROJECT MAY NOT PROCEED. THE SECOND AND LESS LIKELY IS A RAIL CONNECTION BETWEEN ALASKA AND BRITISH COLUMBIA. SUCH IS STRONGLY SUPPORTED BY ALASKA, AND WOULD GREATLY BENEFIT THE MINING INDUSTRY, BUT IT TOO WOULD ENTAIL VERY HIGH COSTS AND, MOREOVER, IT APPEARS THE BRITISH COLUMBIA RAILWAY WILL NOT COMPLETE THE DEASE LAKE EXTENSION WITH WHICH IT WAS TO

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CONNECT.

5. INDUSTRIAL DEVELOPMENT. KAISER ALUMINUM HAS PICKED WHITEHORSE AS A POTENTIAL SITE FOR AN ALUMINUM SMELTER. THE SMELTER WOULD REQUIRE PROVISION OF A CONFIRMED ELECTRICITY SUPPLY OF ABOUT 300 MEGAWATTS. THERE ARE OTHER PROBLEMS, INCLUDING DISTANCE FROM MARKETS, BUT IF CHEAP HYDRO POWER IS MADE AVAILABLE, THESE SHOULD NOT STAND IN THE WAY OF THE PROJECT. THERE IS ALSO A PROPOSAL FOR A LEAD-ZINC SMELTER, BASED ON THE TERRITORY'S ORE DEPOSITS. IT TOO WOULD REQUIRE SUBSTANTIAL ELECTRICAL POWER. A THIRD INDUSTRIAL PROJECT UNDER CONSIDERATION IS A PULP MILL IN THE UPPER LIARD RIVER BASIN NEAR WATSON LAKE. A SENIOR RESOURCES OFFICIAL OF THE DEPARTMENT OF INDIAN AND NORTHERN AFFAIRS HAS CONFIRMED ITS FEASIBILITY, BUT NO CONCRETE STEPS HAVE BEEN TAKEN TOWARDS ITS REALIZATION.

6. TOURISM. THE YUKON IS HEAVILY DEPENDENT ON TOURISTS, THE MAJORITY COMING FROM THE U.S. 1976 WAS A SLOW YEAR FOR TOURISM. 1977, AFTER A SLOW START, APPEARS TO BE PICKING UP. THE SHORT-TOURIST SEASON (JUNE, JULY, AUGUST) IS A MAJOR HANDICAP. EFFORTS ARE NOW BEING MADE

TO

EXTEND IT. THE YUKON IS ALSO TRYING TO REDUCE ITS DEPENDENCE ON U.S. TOURISTS BY PROMOTION EFFORTS IN EUROPE AND AUSTRALIA. MANY OF ITS PROMOTION EFFORTS ARE BEING MADE IN COOPERATION WITH ALASKA.

7. PLANNING. IN AN ATTEMPT TO COORDINATE ECONOMIC DEVELOPMENT ACTIVITY

THE YTG HAS ESTABLISHED AN OFFICE OF ECONOMIC RESEARCH AND PLANNING. IT IS TO PROVIDE INPUT FOR A YUKON ECONOMIC DEVELOPMENT PLAN. THUS FAR THE OFFICE OF ECONOMIC RESEARCH AND PLANNING HAS HAD DIFFICULTY CONVINCING THE YUKON LEGISLATIVE COUNCIL OF THE NECESSITY OF BASIC DATA GATHERING, ALSO IT HAS BECOME A PAWN IN POWER PLAYS BETWEEN THE COUNCIL AND THE COMMISSIONER. THE ULTIMATE PROBLEM FOR YUKON PLANNERS IS

THAT THE YTG IS NOT IN CONTROL OF GOVERNMENTAL EXPENDITURES. ABOUT 30 PERCENT OF OPERATING EXPENSES AND ALL CAPITAL EXPENSES COME FROM THE FEDERAL GOVERNMENT. THE MINISTER FOR INDIAN AND NORTHERN AFFAIRS
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MUST APPROVE THE YTG BUDGET AND THE COMMISSIONER IS APPOINTED BY HIM. DESPITE THESE PROBLEMS, THE YTG IS MAKING A BEGINNING IN RATIONAL PLANNING AND, HOPEFULLY, IT MAY BRING GREATER ORDER TO ECONOMIC DEVELOPMENT IN THE YUKON.

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